Government has indicated that it would stand by the tripartite agreement and repay the dues to NABARD on the due dates as per the schedule drawn up.

Interest rate differentials between US and India

2089. SHRI C.P. THIRUNAVUKKARASU: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether it is a fact that Non-Resident Indians are depositing their money to seize opportunity presented by the interest rate differentials between the US and India;

(b) if so, its impact on the Indian economy; and

(c) the steps proposed to be taken to reduce the interest rate difference between the two countries?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) to (c) A recent study by the Reserve Bank of India (RBI) on "Accretion to Foreign Exchange Reserve in India : Sources, Arbitrage and Costs", indicates that non-resident Indian (NRI) deposits have experienced a net increase of US $2.1 billion during April-November 2002, compared with an almost identical increase of US $2.2 billion during April-November 2001. The accretion includes drawdown of deposits from the non-resident, non-convertible rupee accounts, which were discontinued from March 2002. Since 1999-2000, annual net inflows in NRI deposits have ranged between US$1.5-2.7 billion. Thus, the current trends in non-resident deposits have been consistent with those observed during the past few years. The RBI study points out that despite a differential of 3-4 percent between Indian and international interest rates, there is no evidence to suggest that arbitrage opportunities have led to accretion of foreign exchange reserves in India. It is also mentionable that over the years there has been a downward trend in Indian interest rates facilitated by moderate inflation and adequate liquidity in the economy.